

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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Contact: Stu Nagurka or Steve Posner
(202) 224-0642

SENATE BUDGET COMMITTEE CHAIR SAYS SHRINKING BUDGET SURPLUS THREATENS MEDICARE AND SOCIAL SECURITY TRUST FUNDS Conrad: Bush Tax Cut Jeopardizing Defense Needs & Other Priorities

Washington, DC - Senate Budget Committee Chairman Kent Conrad today said that the Bush tax cut is eating up so much of the projected budget surplus that it will likely force considerable raids on the Medicare and Social Security Trust Funds. Conrad's remarks came as the Senate Budget Committee heard testimony on the size of the remaining budget surplus from three budget watchdog groups, the Center on Budget and Policy Priorities, the Concord Coalition, and the Committee for a Responsible Federal Budget.

"The ink is barely dry on the Bush tax cut, and we are already seeing real data showing that the tax cut has used up most of the available surplus, and for some years, has wiped out the surplus entirely," said Conrad. "We are left with a budget with no resources to make good on the commitments made to the American people to strengthen defense and improve education."

According to data released by Conrad, when we subtract the cost of the tax bill from the the most recently revised surplus figures from the Congressional Budget Office (CBO), we see that the projected surplus in 2002 drops from \$95 billion to \$52 billion, while the projected 10-year surplus drops from \$2.7 trillion to just under \$1.1 trillion. If we assume the policies in the Republican-drafted budget resolution are enacted, the projected surplus in 2002 would drop to \$25 billion, the projected 10-year surplus would drop to \$471 billion, and the Medicare Trust Fund surplus would be raided by \$5 billion in 2003 and \$4 billion in 2004.

If we factor in the cost of the President's new defense request, we see that the Medicare Trust Fund would be raided by \$88 billion between 2003 and 2007. Adding in a rough estimate of the possible additional expenditure for education, which was also left out of the budget resolution, would lead to an even deeper raid of the Medicare Trust Fund.

Finally, the slowdown in the economy could even further reduce the size of the available surplus. Senate Budget Committee staff has estimated that just a modest downward change in CBO's economic forecast could reduce the projected surplus by more than \$165 billion over the

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next 10 years. With these changes, we could see raids of both the Social Security and Medicare Trust Funds in 2003 through 2007.

“I fear we are facing a real problem,” concluded Conrad. “We have enacted a tax cut that has used up most of the available surplus; we are stuck with a budget resolution that fails to provide for such high priority needs as education and defense; and, the economic slowdown we are facing is further undermining the budget surplus projections that served as the justification for the massive tax cut.”

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